

## MARK TO MARKET

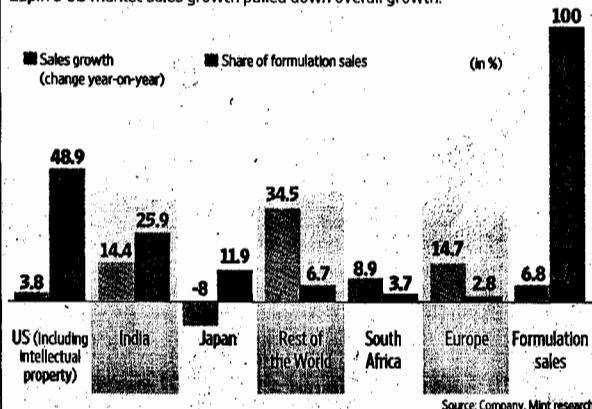
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### KEY INDICATORS

Lupin's US market sales growth pulled down overall growth.



Source: Company, Mint research.

SUBRATA JANA/MINT

## Lupin's US sales grow in slow motion

**L**upin Ltd's sales in the US market disappointed in the December quarter, continuing a trend seen in the September quarter, as the slow pace of new drug approvals, price erosion in some products and a high base effect affect sales growth. But operating profitability held up the show and combined with a lower tax incidence, contributed to a decent growth in net profit. While the company's revenue rose by only 5.2% from the year-ago period, net profit after minority interests rose by 26.3%.

While that is decent earnings growth, investors would be keeping a worried eye on the sales growth front. The US is its largest market, contributing to 49% of sales during the quarter. Now, Lupin's sales in the US market were anyway expected to see slower growth, due to a high base effect. But a 3.8% growth figure was much lower than what the Street was prepared for.

Another key market, India, saw sales grow by 14%. Sales could have been better, but market growth was very slow during this period, according to Lupin. Foreign exchange rate fluctuations also hurt its reported growth in markets such as Japan and South Africa. Sales in its "rest of world" markets grew by

35%, aided by consolidation of an acquired firm's results.

The main redeeming highlight of this quarter was its profitability, which rose by 2.2 percentage points over the previous year, and by 1.6 percentage points sequentially. The main contribution to lower expenditure growth was a decline in material costs, and a decline in research and development expenditure.

That may placate investors for a bit, but Lupin's bigger challenge is reviving sales growth. And, the factors here are external. The company is hoping that the US Food and Drug Administration steps up its pace of approvals for generic drugs. Chances are it will, since it has committed to doing so. But when is the question.

On Tuesday, Lupin's share declined by only 0.7% even after seeing its low sales growth, and despite having risen sharply in recent months. That indicates shareholders are willing to be patient. But they may also be having an eye on the company's shopping bag. Lupin has been scouting for acquisitions, and if it catches a good target or two at the right price, it could boost growth in the near term, apart from the long-term benefits it should bring.

*Company*